

**MINUTES OF THE REGULAR MEETING OF THE  
ARIZONA STATE RETIREMENT SYSTEM BOARD**

**HELD ON  
Friday, July 21, 2000  
9:00 a.m., MST**

The Arizona State Retirement System (ASRS) Board met in the 10<sup>th</sup> Floor Board Room of the ASRS office at 3300 North Central Avenue, Phoenix, Arizona 85067-3910. Dr. Chuck Essigs, Chairman, Arizona State Retirement System Board called the meeting to order at 8:57 a.m., MST

The meeting was teleconferenced to the ASRS Tucson office, 7660 East Broadway Boulevard, Suite 108, Tucson, Arizona 85710-3776.

**1. Call to Order; Roll Call; Opening Remarks**

Present: Dr. Chuck Essigs, Chairman  
Mr. Jim Bruner, Vice Chairman  
Ms. Bonnie Gonzalez  
Mr. Jim Jenkins  
Mr. Alan Maguire  
Mr. Norman Miller (arrived at 9:08 a.m.)  
Mr. Ray Rottas

Excused: Dr. Merlin DuVal  
Mr. Karl Polen

A quorum was present for the purpose of conducting business.

Dr. Chuck Essigs listed the accomplishments of the ASRS while Mr. Jim Jenkins was Chairman of the Board and presented him with a plaque of appreciation for his year of service.

**2. Approval of Minutes of the June 15, Regular Meeting of the Arizona State Retirement System Board**

**Motion:** Mr. Jim Bruner moved to approve the minutes of the June 15, 2000 Regular Meeting of the Arizona State Retirement System Board and the minutes of the June 15, 2000 Executive Session.

Mr. Jim Jenkins seconded the motion.

By a vote of 6 in favor, 0 opposed, 0 abstentions, 3 excused, the motion was approved.

### **3. Board Approval of Consent Schedule**

**Motion:** Mr. Alan Maguire moved that the ASRS Board approve the summary report of Retirements, Refunds and Death Benefits; System Transfers; Applications and Agreements between the ASRS and the following Employers:

- 1) Arizona Institute of Business and Technology Charter High School
- 2) CI Wilson Academy
- 3) Pathways Charter Schools, Inc.
- 4) Arizona School of Fine Arts and Science
- 5) Grand Canyon Airport Authority
- 6) Skyline Technical High School
- 7) Arizona Southwest Preparatory Academy;

and the Renewal of Authorization to Trade Equity Financial Futures Contracts in the E1 and E2 portfolios.

Mr. Ray Rottas seconded the motion.

By a vote of 6 in favor, 0 opposed, 0 abstentions, 3 excused, the motion was approved.

### **4. Presentation, Discussion and Appropriate Action Regarding the Board Meeting Start Time and Possible Study Topics for the 2000-2001 Board Calendar Year**

Dr. Chuck Essigs suggested the Board meetings start at 8:30 a.m. beginning with the August 18 meeting. All present Board members agreed.

Dr. Chuck Essigs asked Board members for suggestions of topics they would like to discuss and have the ASRS study for future Board meeting agenda items. He proposed the following topics:

- a) Review benefit programs in other states that:
  - i) Have permanent versus excess earnings retiree benefit enhancement programs, such as COLAs, or a combination of both
  - ii) Fund a 13<sup>th</sup> check program for retirees out of excess earnings
- b) Review the possibility of legislative authority that will give the ASRS Board budget authority within certain parameters
- c) Review proposed federal legislation dealing with pension portability to determine any necessary changes in the Arizona statutes
- d) Review the possibility of establishing a pre-tax medical flexible spending program for retirees

Mr. Norman Miller arrived at 9:08 a.m.

Mr. Alan Maguire suggested the following topics:

- a) Entry age normal versus projected unit credit actuarial cost methodology for valuing the system's liabilities
- b) Permanent COLA options for the system
- c) A long term strategy to eliminate excess earnings risk as a component of the system so more emphasis is on what can be offered to the beneficiaries rather than protecting the contribution
- d) Designing a dual system of defined benefits and some kind of market/risk-based program to give employees more options
- e) Analysis of the "ownership by contribution" of the fund to determine whose money is in the fund, what payments are made, etc. to help members understand and to justify making future changes to the system

Mr. Jim Bruner requested a briefing on any legislation from the past Legislative Session that the ASRS should be aware of or that would require any action by the Board.

## **5. Presentation, Discussion and Appropriate Action Regarding Board Committee Reports**

Ms. Bonnie Gonzalez, Chairman of the Budget Board Committee, reported that at the July 12, 2000 committee meeting, the ASRS staff presented a budget analysis and technology plan for the next fiscal years. Board members requested additional information from staff, and the committee hopes to present the budget for approval at the next Board meeting.

Mr. Jim Bruner, Chairman of the Investment Review Board Committee (IRBC), reported that at the July 11, 2000 committee meeting, the IRBC reviewed the Small Cap and International Equity mandates. A subcommittee chaired by Mr. Alan Maguire has started the process and will be evaluating managers and making recommendations. The committee also looked at the Commercial Real Estate Portfolio and agreed to recommend the Board begin the process of selling this portfolio. Staff is exploring the possibilities and will report back.

## **6. Director's Report**

Ms. Donna M. Buelow, Assistant Director Member Services, reported on the bidding process for current health insurance contracts. These contracts expire at the end of the year but the Request-for-Proposal (RFP) process has been canceled because of problems with the structure of the bid and a lack of demographics of members to provide underwriters with information they need. The ASRS is working to address these deficiencies as the new bidding process begins and is also in discussions with vendors to extend the current contracts to ensure minimal disruption.

Mr. Ray Rottas asked how the closing of Medicare HMOs in rural areas would affect the ASRS members.

Ms. Buelow estimated it will impact approximately 1,000 members, but hopes vendors will be creative during the bid process and offer benefits such as Medicare and prescription drug supplements and how they will interact with the ASRS programs.

Mr. Norman Miller suggested alternative health care plans, such as the concept of Medical Savings Accounts, which would allow members to have more flexibility with their funds, be added to the list of future agenda items for exploration and discussion by the Board.

Mr. Alan Maguire commended the ASRS for canceling the RFP because, although it was a difficult decision, it was necessary to address problems with the process.

Mr. LeRoy Gilbertson discussed the background of the health insurance premium supplement program for retirees to explain why the ASRS is involved in the contract process.

## **7. Call to the Public**

Mr. Martin Marich of the All Arizona School Retirees Association in Phoenix read a letter regarding Tom Finnerty, former ASRS Legislative Liaison, in appreciation of his service to the ASRS and members.

Mr. Larry Tint, Vice Chairman of BGI Barclays Global Investors informed the Board of his early retirement next month and thanked them for the great working relationship he had with the ASRS and the Board over the past decade.

Dr. Chuck Essigs, Mr. Jim Jenkins, Mr. Alan Maguire and Mr. Norman Miller all expressed appreciation for Mr. Tint's professionalism and work.

There were no requests to speak from the Tucson public.

## **8. The next regular ASRS Board meeting is scheduled for Friday, August 18, 2000, at 8:30 a.m. in the 10<sup>th</sup> Floor Board Room of the ASRS office at 3300 North Central Avenue, Phoenix, Arizona 85067-3910.**

## **9. Adjournment of the ASRS Board.**

Dr. Chuck Essigs, Chairman, adjourned the July 21, 2000 regular meeting of the ASRS Board at 9:30 a.m.

Respectfully submitted,

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Maurah Harrison, Secretary

Date

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LeRoy Gilbertson, Director

Date